

Universal Store

19 January 2022

UNIVERSAL STORE H1 FY22 TRADING UPDATE

Universal Store Holdings Limited (ASX: UNI) today provides this update in relation to its H1 FY22 expected financial results (unaudited), in advance of the lodgement of its H1 FY22 results on 23 February 2022. This update is based on unaudited management accounts and other information for the six months ending 31 December 2021.

H1 FY22 (Unaudited results) overview:

- Sales down by 8.2% to \$108.3m.¹
 - Like for like sales (LFL) down 2.2% (stores down 10.8% and online growth +52.5%)²
 - Online delivered \$20.9m of sales contributing 19.3% of total sales
- Underlying trading gross profit margin (excluding online delivery costs) of 60.3%, up from 59.7% in H1 FY21.
- Underlying EBIT³ is expected to finalise in the range of \$19.0 - \$19.5m.
- Net cash at period end of \$33.7m (comprising \$48.8m of cash and \$15.1m of bank debt).

| First 26 weeks Sales (Unaudited) | Current Period Comparatives | | Historical Context | |
|--------------------------------------|-----------------------------|---------------------------|--------------------|--------------|
| | FY22 vs FY21 | FY22 vs FY20 ⁴ | FY21 vs FY20 | FY20 vs FY19 |
| Group Headline ¹ | (9.3%) | +10.5% | +21.9% | +20.6% |
| Group Comparative (LFL) ² | (2.2%) | +27.8% | +26.5% | +12.1% |
| Store Comparative (LFL) ² | (10.8%) | +8.7% | +19.1% | +10.3% |
| Online Channel (LFL) ² | +52.5% | +244.7% | +126.0% | +42.1% |

Commentary

The past six months of trade has seen significant business disruptions arising from the government mandated store closures. The store closures in NSW, VIC and the ACT resulted in 3,192 lost trading days in the half (equating to 25.5% of potential trading days).

Further, in the later part of the first half, with the increased prevalence and concerns about the Omicron variant of COVID-19, there was lower foot traffic levels in stores, and more aversion at a customer level to shopping in centres and attending events. There were also increases in the level of staffing changes needed to respond to cases and close contacts within our teams.

Given the abovementioned circumstances, we are satisfied with the overall result delivered, particularly having regard to the fact that we continue to cycle exceptional LFL sales growth vs. FY21. Total sales for the period remain >10% ahead of H1 FY20, which was unaffected by COVID-19 and had no associated store closures.

Our performance continues to demonstrate the strength of our offering and demand from customers when our stores are open, and customers feel safe to visit shops. We have also continued to make substantial progress in executing against our strategic priorities.

Our online channel continues to grow strongly, delivering sales growth of +52.5% over the H1 period, despite cycling +126.0% growth in the prior corresponding period. With increased investment into digital marketing and our omni channel model means that when demand in our physical stores is hampered as a result of COVID-19 and government restrictions, we see a level of diversion of this demand to our online channel, and vice versa as restrictions and customers concerns dissipate.

Gross profit margin excluding delivery remains strong up 0.6% to 60.3% vs 59.7% in H1 FY21, despite increased markdowns from mandated store closures in Q1 of FY22. Higher freight costs associated with online will see the reported net gross profit margin decline year on year by 0.4%.

Strong cash flow and balance sheet

Cash in bank at the half remains strong at \$48.8m, with net cash of \$33.7m (net of \$15.1m of bank debt).

Inventory levels have been controlled in line with demand and aged inventory remains at normal levels. We continue to be committed to our disciplined pricing and promotional strategy to protect brand, margin, and customer trust.

Store Growth

The company currently has 73 Universal brand stores and is targeting a network of 100+ sites across Australia and New Zealand. Perfect Stranger stores (now three sites) would be incremental to this target.

Nine new stores were opened in H1 FY22, comprising seven new Universal Store sites and two Perfect Stranger sites, with most of these new stores opened late November/December 2021. Further new store opportunities are currently being evaluated.

We are encouraged by the results being delivered by the Perfect Stranger trial stores. This trial is progressing well.

Supply Chain

We have not experienced significant disruption to operations arising from COVID-19 with shipping/container challenges now factored into our modelling and forecasting.

Construction of our new distribution facility and Support Office is currently underway to ensure we have the capacity and flexibility to support future business growth. The project will be funded by the operating cash flows of the business.

Authorised for release by the Board of Directors of Universal Store Holdings Limited.

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ABOUT UNIVERSAL STORE

Universal Store is a specialty retailer of youth casual apparel that operates 76 physical stores across Australia and an integrated fast-growing online channel.⁵

The Company's strategy is to deliver a frequently changing and carefully curated selection of on-trend apparel products to a target 16–35-year-old fashion focused customer. Universal Store seeks to provide a high level of customer service, consistent price proposition and a welcoming and engaging store environment. It offers a diversity of brands and styles to cater to the constantly evolving and widely varied tastes and trends observed in the youth apparel market.

Notes:

1. Sales down by 8.2% is based on H1 FY22 reporting period July 1st, 2021, to December 31st 2021. Group Headline is calculated on 26 weeks (4/4/5 financial week) basis.
2. Group and Store comparative (LFL) sales excludes closed stores from date of closure and new stores which have traded less than 55 weeks. Stores that were closed during COVID-19 are excluded from LFL sales growth calculation for the weeks that they were closed. LFL are calculated on 26 weeks (4/4/5 financial week) basis.
3. Underlying EBIT excludes the impact of accounting for leases under AASB16.
4. The two-year LFL growth has been adjusted for COVID-19 closures during Jul-Nov 2021 vs Jul-Nov 2019 and is calculated on a store-by-store weekly basis for stores that have traded across the two-year period.
5. 76 physical stores including three Perfect Stranger locations.